



ANTI-WASTE LIMITED

Report and Financial Statements

31 December 1998

Deloitte & Touche
Leda House
Station Road
Cambridge CB1 2RN

(- 27/09/99)
Ac01aw17



**REPORT AND FINANCIAL STATEMENTS 1998****CONTENTS****Page**

Officers and professional advisers	1
Directors' report	2
Auditors' report	4
Profit and loss account	5
Note of historical cost profits and losses	6
Balance sheet	7
Notes to the financial statements	8



OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P A Rackham
P A Rackham Jnr
S R Stuteley
T C Walsh

SECRETARY

S R Stuteley

REGISTERED OFFICE

Manor Farm
Bridgham
Norwich
Norfolk NR16 2RX

BANKERS

Lloyds TSB Bank plc
Corporate & Institutional Banking
P O Box 787
6-8 Eastcheap
London EC3M 1LL

SOLICITORS

Rowe & Maw
20 Blackfriars Lane
London EC4V 6HD

Cunningham, John & Co
Fairstead House
7 Bury Road
Thetford
Norwich IP24 3PL

AUDITORS

Deloitte & Touche
Chartered Accountants
Leda House
Station Road
Cambridge CB1 2RN

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

ACTIVITIES

The principal activity of the company is the handling, recycling and disposal of waste materials.

REVIEW OF DEVELOPMENTS

The results of the company for the year are set out on page 5. In the opinion of the directors the company has traded satisfactorily during the year and profitability is expected to continue in the current year.

DIVIDENDS

A dividend payment of £1,500,000 has been made during the year (1997 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

P A Rackham
P A Rackham Jnr
S R Stuteley
T C Walsh
D R A Sheppard (resigned 2 December 1998)

None of the directors held an interest in the share capital of the company during the year.

The interests of the directors in the share capital of the parent company are disclosed in the accounts of that company.

CHARITABLE AND POLITICAL DONATIONS

During the year the company made charitable donations of £805 (1997 - £1,510). The company has also contributed £811,198 of its landfill tax liability to ENTRUST registered environmental bodies, as permitted by government regulations.

CREDITOR PAYMENT POLICY

Whilst there is no formal creditor payment policy, it is the policy of the company to settle the terms of payment with all suppliers when agreeing the terms for the transactions as a whole and to abide by such terms.

The company's outstanding creditor days at the end of the year were 44 days.

YEAR 2000 ISSUES

Year 2000 issues have been addressed at group level. The group is continuing to address the Year 2000 problem in accordance with its Compliance and Contingency Plan. This Plan assumes the major risk to the group to be failure of third party utility services. The group has already renewed or upgraded a substantial proportion of its business critical computer systems and other equipment, and is in the process of obtaining representations from the vendors of its key software that their systems are Year 2000 compliant.

Although the group expects its systems to be Year 2000 compliant by the required date, it cannot guarantee the compliance of any third party systems.

The total cost of the Year 2000 compliance issue is not considered to be material.



DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

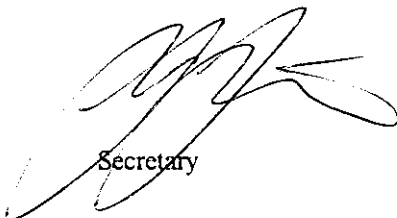
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board


Secretary

28 September 1999



ANTI-WASTE LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

15 October 1999


PROFIT AND LOSS ACCOUNT
Year ended 31 December 1998

	Note	1998 £'000	1997 £'000
TURNOVER	2	14,017	12,900
Cost of sales		(9,597)	(8,393)
GROSS PROFIT		4,420	4,507
Administrative expenses		(2,089)	(1,211)
OPERATING PROFIT	3	2,331	3,296
Interest receivable		64	12
Interest payable and similar charges	5	(141)	(308)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,254	3,000
Tax on profit on ordinary activities	6	(651)	(986)
PROFIT FOR THE FINANCIAL YEAR		1,603	2,014
Dividends	7	(1,500)	-
Retained profit for the financial year	17	103	2,014

All results derive from continuing operations.

There are no recognised gains and losses for the current financial year or the preceding financial year other than as stated in the profit and loss account.



NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 31 December 1998

	1998 £'000	1997 £'000
Profit on ordinary activities before taxation	2,254	3,000
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>53</u>	<u>53</u>
Historical cost profit on ordinary activities before taxation	<u>2,307</u>	<u>3,053</u>
Historical cost profit for the year after taxation and dividends	<u>156</u>	<u>2,067</u>


**BALANCE SHEET
31 December 1998**

	Note	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	8	21,434	18,672
Investments	9	1	1
		<u>21,435</u>	<u>18,673</u>
CURRENT ASSETS			
Stocks	10	77	49
Debtors (due within one year)	11	3,657	4,501
Debtors (due after more than one year)	12	243	274
Cash at bank and in hand - Escrow deposits	13	619	228
Cash at bank and in hand		3	288
		<u>4,599</u>	<u>5,340</u>
CREDITORS: amounts falling due within one year	14	<u>(5,026)</u>	<u>(4,747)</u>
NET CURRENT (LIABILITIES) ASSETS		<u>(427)</u>	<u>593</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		21,008	19,266
CREDITORS: amounts falling due after more than one year	15	<u>(10,714)</u>	<u>(9,075)</u>
NET ASSETS		<u>10,294</u>	<u>10,191</u>
CAPITAL AND RESERVES			
Called up share capital	16	8,062	8,062
Share premium account	17	83	83
Revaluation reserve	17	2,762	2,815
Other reserve	17	-	(3,395)
Profit and loss account	17	(613)	2,626
EQUITY SHAREHOLDERS' FUNDS	18	<u>10,294</u>	<u>10,191</u>

These financial statements were approved by the Board of Directors on 28 September 1999.

Signed on behalf of the Board of Directors

Director

**NOTES TO THE FINANCIAL STATEMENTS**
Year ended 31 December 1998**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold properties.

Consolidation

The company has claimed exemption from the preparation of group accounts on the grounds that it is a subsidiary of a larger group company that prepares consolidated accounts. The accounts present information about the company as an individual undertaking and not about its group.

Goodwill

Purchased goodwill arising in earlier years, totalling £3,395,000 representing the excess of the purchase price over the fair value of the net assets acquired, is set off against reserves in the year in which it arises.

Cash flow exemption

The company has taken advantage of the exemption, conferred by Financial Reporting Standard 1 (Revised), from presenting a cash flow statement as it is a wholly owned subsidiary of a group which prepares a consolidated cash flow statement.

Turnover

Turnover represents invoiced sales of goods and services including landfill tax but excluding value added tax.

Tangible fixed assets

Freehold and leasehold properties and licence agreements are stated at original cost or subsequent valuation. Other tangible fixed assets are shown at cost. Depreciation is provided on tangible fixed assets in use at rates calculated to write off the cost, or revalued amount, less residual value of each asset as follows:

Freehold buildings	- over 50 years
Freehold landfill sites, leasehold properties	- over the expected life of each site
Plant and equipment	- over 5 years
Motor vehicles	- over 4 years

No depreciation is provided for in relation to freehold land.

Freehold landfill sites and leasehold properties include site engineering costs which are depreciated over the expected life of each site in proportion to the rate of landfill.

Investments

Investments are stated at cost less provision for any permanent diminution in value.

Stocks

Stocks have been stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the foreseeable future, calculated at the rate at which it is estimated that tax will be payable.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 1998

1. ACCOUNTING POLICIES (continued)

Finance leases

In respect of each finance lease the cost of the asset is capitalised and the cost, less residual value of the asset, is depreciated over the term of the lease. Rentals payable are apportioned between finance charge and leasing commitment. The total finance charge is allocated to accounting periods over the term of the lease at a constant periodic rate of charge on the remaining leasing commitment for each accounting period.

All other leases are operating leases and the relevant annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs

Contributions in respect of the group's combined defined contribution pension scheme are charged to the profit and loss account for the year in which they are payable to the scheme.

Restoration and post closure monitoring costs

The anticipated cost of final site restoration and post closure monitoring is charged to the profit and loss account over the expected useful life of the site in proportion to the rate of landfill.

2. TURNOVER

All turnover was generated in the United Kingdom from the handling, recycling and disposal of waste materials.

3. OPERATING PROFIT

	1998 £'000	1997 £'000
Operating profit is after charging:		
Depreciation - owned assets	1,780	1,354
- assets held under finance leases	248	220
Auditors' remuneration - audit fees	10	12
- other fees	-	15
Operating lease rentals	22	38
	<u>22</u>	<u>38</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1998 £'000	1997 £'000
Directors' emoluments		
Remuneration	-	278
Pension contributions to defined contribution scheme	-	37
	<u>-</u>	<u>315</u>
Emoluments of the highest paid director:		
Remuneration	-	76
Pension contributions to defined contribution scheme	-	35
	<u>-</u>	<u>35</u>
	No	No
Number of directors who were members of defined contribution pension scheme	-	4
	<u>-</u>	<u>4</u>


NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 1998
4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)
Average number of persons employed by the company (including directors) in the year:

	1998 No	1997 No
Operational	44	57
Administrative	10	17
	<u>54</u>	<u>74</u>

Staff costs incurred during the year in respect of these employees were:

	1998 £'000	1997 £'000
Wages and salaries	789	1,260
Social security costs	77	122
Other pension costs	10	46
	<u>876</u>	<u>1,428</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £'000	1997 £'000
Bank and other borrowings	80	218
Finance leases	61	76
Corporation tax interest	-	12
Arrangement fees	-	2
	<u>141</u>	<u>308</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £'000	1997 £'000
UK corporation tax at 31% (1997 - 31.5%)	665	1,017
Prior year movement - deferred tax	-	(2)
- corporation tax	(14)	(29)
	<u>651</u>	<u>986</u>

7. DIVIDENDS

	1998 £'000	1997 £'000
On equity shares		
Paid - 18.6p per ordinary share (1997 - nil)	<u>1,500</u>	<u>-</u>


NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 1998
8. TANGIBLE FIXED ASSETS

	Freehold properties £'000	Short leasehold properties £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 January 1998	15,269	3,741	3,743	377	23,130
Additions	1,839	2,147	654	556	5,196
Disposals	-	(233)	(350)	(97)	(680)
At 31 December 1998	<u>17,108</u>	<u>5,655</u>	<u>4,047</u>	<u>836</u>	<u>27,646</u>
Depreciation					
At 1 January 1998	1,404	1,332	1,602	120	4,458
Charge for the year	721	594	590	123	2,028
Disposals	-	-	(220)	(54)	(274)
At 31 December 1998	<u>2,125</u>	<u>1,926</u>	<u>1,972</u>	<u>189</u>	<u>6,212</u>
Net book value					
At 31 December 1998	<u>14,983</u>	<u>3,729</u>	<u>2,075</u>	<u>647</u>	<u>21,434</u>
At 31 December 1997	<u>13,865</u>	<u>2,409</u>	<u>2,141</u>	<u>257</u>	<u>18,672</u>

Included in the net book value of plant and equipment and motor vehicles is £861,000 (1997 - £1,232,000) in respect of assets held under finance leases.

Freehold properties are stated at:

	1998 £'000	1997 £'000
Open market value at 31 December 1993	4,100	4,100
Cost	<u>13,008</u>	<u>11,169</u>
At 31 December 1998	<u>17,108</u>	<u>15,269</u>

Comparable amounts determined according to the historical cost convention for freehold properties:

	1998 £'000	1997 £'000
Cost	13,857	12,018
Accumulated depreciation based on historical cost	<u>(1,861)</u>	<u>(1,193)</u>
Historical cost net book value	<u>11,996</u>	<u>10,825</u>

All other assets are stated at historical cost.


NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 1998
9. INVESTMENTS HELD AS FIXED ASSETS

	1998 £'000	1997 £'000
Cost		
At 1 January 1998 and 31 December 1998	<u>1</u>	<u>1</u>

Investments comprise the following:

Name	Country of registration	Proportion of ordinary capital held	Nature of business
Anti-Rubbish Limited	England	100%	Dormant
Anti-Waste (Restoration) Limited	England	100%	Restoration and monitoring services

10. STOCKS

	1998 £'000	1997 £'000
Raw materials and consumables	<u>77</u>	<u>49</u>

11. DEBTORS (DUE WITHIN ONE YEAR)

	1998 £'000	1997 £'000
Trade debtors	2,215	3,061
Amounts owed by group undertakings	1,289	1,228
Prepayments and accrued income	153	212
	<u>3,657</u>	<u>4,501</u>

12. DEBTORS (DUE AFTER MORE THAN ONE YEAR)

	1998 £'000	1997 £'000
Prepayments and accrued income	<u>243</u>	<u>274</u>

13. CASH AT BANK AND IN HAND - ESCROW DEPOSITS

Escrow deposits represent amounts held in bank accounts in the name of Anti-Waste Limited and various county councils. The company is contracted to deposit further sums in respect of site restoration and post-closure monitoring costs based on the tonnage of waste disposal. Because these funds have restricted use they are disclosed separately as Escrow deposits in the balance sheet.


NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 1998
14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £'000	1997 £'000
Bank overdraft	562	197
Trade creditors	604	407
Amounts owed to group undertakings	1,147	544
Other creditors	-	129
Corporation tax	779	1,145
Other taxes and social security	998	1,400
Accruals and deferred income	629	578
Obligations under finance leases	307	347
	<u>5,026</u>	<u>4,747</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998 £'000	1997 £'000
Amount owed to parent company	10,226	8,238
Obligations under finance leases	226	525
Accruals and deferred income	262	312
	<u>10,714</u>	<u>9,075</u>

- (a) The amount owed to the parent company is not subject to agreed repayment terms. The parent company has confirmed that it will not be called for repayment within 12 months of the balance sheet date. Accordingly, it has been disclosed as due after more than one year.

	1998 £'000	1997 £'000
(b) Accruals and deferred income is due as follows:		
Between one and two years	50	50
Between two and five years	200	200
After five years	12	62
	<u>262</u>	<u>312</u>
(c) Obligations under finance leases are repayable in instalments as follows:		
Within one year	307	347
Between two and five years	154	226
After five years	72	299
	<u>533</u>	<u>872</u>

16. CALLED UP SHARE CAPITAL

	1998 £'000	1997 £'000
Authorised:		
8,100,000 ordinary shares of £1 each	<u>8,100</u>	<u>8,100</u>
Called up, allotted and fully paid:		
8,061,500 ordinary shares of £1 each	<u>8,062</u>	<u>8,062</u>


NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 1998
17. MOVEMENT IN RESERVES

	Share premium account £'000	Revaluation reserve £'000	Other reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 1998	83	2,815	(3,395)	2,626	2,129
Profit for the year	-	-	-	103	103
Transfer from revaluation reserve	-	(53)	-	53	-
Elimination of goodwill reserve	-	-	3,395	(3,395)	-
At 31 December 1998	83	2,762	-	(613)	2,232

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £'000	1997 £'000
Profit for the financial year	1,603	2,014
Dividends	(1,500)	-
Net addition to shareholders' funds	103	2,014
Opening shareholders' funds	10,191	8,177
Closing shareholders' funds	10,294	10,191

19. CONTINGENT LIABILITIES

- The company has entered into unlimited cross-guarantees with its bankers relating to the borrowings of other group companies. At 31 December 1998 the bank borrowings of other group companies amounted to £2,471,000 (1997 - £8,721,000).
- The company is a member of a group VAT registration and as such has contingent liabilities for VAT in respect of other members of the group.
- The company has provided performance bonds in respect of certain waste disposal contracts. At 31 December 1998, the amount of the bonds was £ 371,000 (1997 - £145,000).

20. CAPITAL COMMITMENTS

	1998 £'000	1997 £'000
Contracted for but not provided	641	369

21. PENSION CONTRIBUTIONS

The company operates a defined contribution pension scheme on behalf of its directors and certain employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are paid based upon the recommendation of a qualified actuary. The annual contributions under this scheme amounted to £10,000 (1997 - £46,000).


NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 1998
22. OPERATING LEASE COMMITMENTS

At 31 December 1998, the company had annual commitments in respect of land and buildings under non-cancellable operating leases as follows:

	1998 £'000	1997 £'000
Operating leases which expire		
In the second to fifth years inclusive	18	20
In over five years	4	4
	<u>22</u>	<u>24</u>

23. ENVIRONMENTAL COMMITMENTS

As explained in note 13 to the accounts, the company is contracted to make deposits into escrow accounts to guarantee the successful site restoration and provide for post-closure monitoring costs in respect of three of its sites. A total of £4,642,000 is contracted to be deposited over the useful life of the sites which is expected to be in excess of twenty years and subject to certain conditions. Costs in respect of these procedures will be met from these funds and on satisfactory monitoring of each of the sites for the relevant period, the balance will be returned to the company. Provision is made in respect of the sums deposited to the extent that the costs of restoration are foreseeable and expected to materialise. Provision is not made in respect of contingent costs or remote events.

24. ULTIMATE PARENT COMPANY

The ultimate parent company and immediate controlling party of Anti-Waste Limited is Waste Recycling Group plc, a company which is registered in England and Wales. Copies of group accounts of Waste Recycling Group plc are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

25. DIRECTORS' INTERESTS IN TRANSACTIONS AND RELATED PARTY TRANSACTIONS

(a) During the year the company continued the arrangements in which Mr P A Rackham and Mr P A Rackham Jnr had an interest by virtue of their management responsibilities and shareholdings in the companies noted below:

- (i) An agreement with Paul Rackham Limited for the rental of office space at an actual rental of £20,000 per annum. This lease expires on 31 December 1999.
- (ii) The company made charges to Paul Rackham Limited totalling £1,320 (1997 - £5,280) for the provision of litter picking services.

In connection with the above there are amounts totalling £6,000 (1997 - £3,000) included within debtors due within one year and £8,000 (1997 - £4,000) included within creditors due within one year. These are the maximum amounts outstanding during the year.

(b) In the ordinary course of business, the company has traded with its ultimate parent company Waste Recycling Group plc together with its subsidiaries. The company is exempt from disclosing details of these transactions because copies of Waste Recycling Group plc group financial statements are publicly available.